



GET THE E-NEWSLETTER (</SITE/PUBLICATIONS/SUBSCRIBELEADERSHIP.CFM>)

**Healthcare Redesign** ([/Leadership/Healthcare\\_Redesign.aspx](/Leadership/Healthcare_Redesign.aspx))

**Quality/Cost** ([/Leadership/Quality\\_Cost.aspx](/Leadership/Quality_Cost.aspx))

**Technology** (</Leadership/Technology.aspx>)

SUBSCRIBE ([HTTPS://WWW.HFMA.ORG/SITE/PUBLICATIONS/LEADERSHIP\\_PREMIUM\\_SUBSCRIPTION.CFM](https://www.hfma.org/site/publications/leadership_premium_subscription.cfm))

## Henry Ford Health System Joins Direct-Contracting Trend

By Lola Butcher Jan 21, 2019

**Henry Ford expects to succeed in the initiative thanks to its capabilities in areas such as analytics, case management, and patient engagement.**

After proving that it can thrive in the federal government's two-sided risk program, Henry Ford Health System, a six-hospital system based in Detroit, is parlaying that success to contract directly with General Motors, the nation's largest automobile manufacturer.

Through this direct-to-employer contract, salaried GM employees and their dependents in southeastern Michigan were incentivized to choose GM's "ConnectedCare: Henry Ford Health System" plan during the 2019 open enrollment period. Those who did so could expect lower premiums and, as long as they stayed in the Henry Ford network, lower cost-sharing and patient-friendly amenities.

GM expects to save money relative to the other insurance options it offers to workers, and Henry Ford intends to meet 19 performance metrics and stay under annual total-cost targets so that it earns shared savings—while increasing its market share.

"We felt like we had a lot of the pieces and parts in place to do this, and we are always looking for innovation," says Susan Hawkins (**pictured at right**), Henry Ford's senior vice president of population health. "We are very interested in exploring what this could mean in terms of new business and growth."



### Direct Contracts Gain Traction

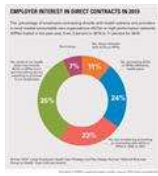
Direct contracts between employers and health systems, with no health plan in the middle, have been popping up around the country for several years.

High-profile examples include Intel Corp.'s 2013 contract with Presbyterian Healthcare Services in Albuquerque; Boeing Co.'s partnership, beginning in 2016, with MemorialCare Health System for the aerospace company's Southern California employees; and Adventist Health's contract to provide healthcare services for Whole Foods' workers in Southern California, also starting in 2016. Walmart's direct-contracting relationships with Memorial Hermann Health Services in the Houston area and Ochsner Health Network in Louisiana, which went into effect Jan. 1, 2018, show the retailer's growing interest in direct contracts; it has 10 such contracts in place.

Those leaders are attracting followers, according to [survey results \(https://www.businessgrouphealth.org/news/nbgh-news/press-releases/press-release-details/?ID=348\)](https://www.businessgrouphealth.org/news/nbgh-news/press-releases/press-release-details/?ID=348) from the National Business Group on Health (NBGH), which includes 74 Fortune 100 companies that provide healthcare coverage for more than 50 million workers, retirees, and dependents. For 2019, 11 percent of NBGH members held a direct contract with a health system, up from 3 percent in 2018.

That doesn't mean 11 percent have direct contracts that cover all their employees, but rather that they have at least one direct contract for workers who live in a certain location. Those employers are looking to replace fee-for-service arrangements with value-based contracts in which health systems have financial incentives to control costs and improve quality, says Ellen Kelsay, NBGH's chief strategy officer.

**Exhibit: Employer Interest in Direct Contracts in 2019** (click to enlarge)



Most employers do not have the knowledge and experience to negotiate a contract with a health system, so Kelsay does not expect direct contracting to become commonplace. But she does expect the trend to grow. Employers that are tiptoeing into the model may expand to new geographic locations incrementally in the years ahead, and employers that are watching on the sidelines may soon jump in.

“Most employers are still going to be heavily reliant on their health plan partners to do the negotiations and contract arrangements with the systems and the providers themselves,” Kelsay says. “Those who do it are going to be among the very most sophisticated, who do have the bandwidth and inclination to pursue those types of conversations on their own.”

## Seizing the Opportunity

When GM sent out a request-for-proposal seeking one or more health systems to enter into a direct contract for services, Henry Ford was ready to pounce for two reasons.

**Network adequacy.** It already had in place a system—hospitals, primary care practices, specialty services, home health, and pharmacy—to provide the services GM wanted in the geographic area that the contract covers, says Amy Vandecar (**pictured at right**), Henry Ford’s vice president of contracting and value-based reimbursement. The health system had to contract with a few physician organizations to ensure adequate coverage in a couple of neighborhoods, and it formalized a working relationship with a pediatric hospital and some pediatric subspecialists. But all other relationships were already established.



**Experience with value-based care delivery.** Henry Ford has owned a health plan since the mid-1980s, giving it decades of experience with having financial risk linked to its services. More recently, in 2016, the health system joined the Next Generation Accountable Care Organization (ACO) model, a program of the Centers for Medicare & Medicaid Services.

The ACO, which includes all members of the Henry Ford Medical Group, a few independent physicians, and all Henry Ford facilities, provides care for approximately 25,000 Medicare patients in southeastern Michigan. “We established a number of programs and capabilities to be able to win in that upside-downside risk contract with CMS,” Hawkins says.

Those capabilities allowed Henry Ford to improve care coordination and eliminate duplicate services, saving CMS \$5 million in the first year of the contract. Emergency department (ED) visits, hospitalizations, and use of skilled nursing facilities (SNFs) were all reduced, while primary care visits increased.

That translated into nearly \$4 million in shared savings for Henry Ford’s first-year performance. Innovations that contributed to its success include:

- Virtual visits between patients and their doctors
- Home visits by physicians or other caregivers in the 30 days after a patient’s discharge from the hospital
- Direct admissions to a SNF
- Elimination of the standard mandatory three-day hospital stay to access SNF care, thanks to a waiver as part of the Next Generation ACO program
- Increased access to physicians and medical facilities

## What It Takes to Succeed

That experience has given Henry Ford leaders insights into what they need to do to thrive under the GM contract. Success factors include:

**Population analysis.** The health system has two-sided risk in this five-year contract, so it needs to understand the patients it will serve—before those patients are actually known. GM provided Henry Ford with high-level demographic data and two years’ worth of ED and hospital utilization data for all employees eligible for ConnectedCare.

“We wanted to get a better sense of overall risk of this population from a health perspective,” Hawkins says. “The clinical part was missing, but we will have comprehensive information about the enrollees after the first of the year.”

**Disease management and case management.** Blue Cross Blue Shield of Michigan (BCBS-Michigan), which provides the other health benefit options for GM workers, has traditionally offered disease management and case management services as part of its contract with GM. “We have those capabilities ourselves and we are going to take on all of that” for employees in the ConnectedCare plan, Hawkins says. “We will identify those people who need those services and do the outreach and clinical follow-up ourselves.”

**Claims analysis.** Although BCBS-Michigan will process claims for the ConnectedCare plan, Henry Ford will import claims data and match them with electronic health record (EHR) data in its own enterprise data warehouse. This process will allow the health system to understand the cost of serving the ConnectedCare members; quality metrics for those patients; physician-level utilization patterns; and other factors needed to manage the contract.

**Patient relationship-building.** GM salaried employees who chose ConnectedCare are saving at least 67 percent on their employee premiums for 2019, with the exact amount depending on whether they enrolled in employee-only, two-person, or family coverage.

While GM employees are accustomed to being enrolled in a high-deductible health plan, they are not used to being in a narrow network. Thus, educating patients about the benefits of choosing ConnectedCare—and how to make that plan work for them and their families—is essential. ConnectedCare members must be able to identify providers and facilities that are in the Henry Ford network, switch their care if they are being treated elsewhere, and understand the higher out-of-pocket costs they will incur if they choose out-of-network care.

As 2019 open enrollment approached, Henry Ford staff worked with GM staff to prepare materials for employees, making sure that common questions—for example, “are dental benefits affected if I choose ConnectedCare?” or “how does a health savings account work with ConnectedCare?”—were addressed correctly. Henry Ford staff also accompanied GM employee-benefits staff to meetings at worksites to discuss the new health plan option.

“We discussed at length what it means to have more of a custom network, and what services we can offer to help them stay within that custom network,” Hawkins says.

Now that open enrollment has ended, Henry Ford is responsible for helping ConnectedCare members understand how to use their new plan effectively. The health system established a concierge line, just for GM workers, to answer questions and help them connect with new physicians.

“We also set up a web landing page just for them,” Hawkins says. “It outlines what to do depending on your needs today. So, if you're feeling sick, you have options for getting immediate advice or treatment. If you are looking for an annual physical, we can help you schedule a future appointment with a PCP.”

**Utilization management.** All physicians in the network, whether they are employed or affiliated, will be eligible for financial incentives to deliver high-value care. Physician liaisons will monitor utilization patterns and coach physicians accordingly, which requires timely data.

“We need a better way to get near-real-time—at least monthly—data to these physicians so they understand where they stand,” Vandecar says.

The health system will use its own EHR data to track in-network utilization, and leaders are working with BCBS-Michigan to get timely claims data about out-of-network care that ConnectedCare members receive. That information will allow Henry Ford to alert a patient’s in-network physicians so they can encourage the use of in-network facilities and providers.

[Lola Butcher \(mailto:lola@lolabutcher.com\)](mailto:lola@lolabutcher.com) writes about healthcare business and policy topics for several HFMA publications.

**Interviewed for this article:** [Susan Hawkins \(mailto:Shawkin1@hfhs.org\)](mailto:Shawkin1@hfhs.org), senior vice president-population health, Henry Ford Health System, Detroit; [Ellen Kelsay \(mailto:kelsay@businessgrouphealth.org\)](mailto:kelsay@businessgrouphealth.org), chief strategy officer, National Business Group on Health; [Amy Vandecar \(mailto:Avandec1@hfhs.org\)](mailto:Avandec1@hfhs.org), vice president of contracting and value-based reimbursement, Henry Ford Health System, Detroit.

#### HFMA RESOURCE LIBRARY

##### [The Future of Online Patient Billing Portals](#)

This white paper, written by Apex President Patrick Maurer, discusses methods to increase patient adoption of online payments. Providers are now seeking ways to incrementally collect more payments due from patients as well as speeding up the rate of collections. This white paper shows why patient-centric approaches to online payment portals are important complements to traditional provider-centric approaches.

Get HFMA's free  
**Leadership** e-newsletter  
each month.

## **CATEGORIES**

+

[Healthcare Redesign \(/Leadership/Healthcare\\_Redesign.aspx\)](/Leadership/Healthcare_Redesign.aspx)  
[Quality/Cost \(/Leadership/Quality\\_Cost.aspx\)](/Leadership/Quality_Cost.aspx)  
[Technology \(/Leadership/Technology.aspx\)](/Leadership/Technology.aspx)  
[Strategy \(/Leadership/Strategy.aspx\)](/Leadership/Strategy.aspx)  
[Leader Skills \(/Leadership/Leaders\\_Skills.aspx\)](/Leadership/Leaders_Skills.aspx)

## **ABOUT LEADERSHIP+**

+

[Advertising \(/Leadership/Advertising\\_and\\_Sponsorship/Advertising\)](/Leadership/Advertising_and_Sponsorship/Advertising)  
[Magazine Archive \(/Leadership/Magazine\\_Archive.aspx\)](/Leadership/Magazine_Archive.aspx)  
[Monthly E-newsletter Signup \(/Site/publications/subscribeleadership.cfm\)](/Site/publications/subscribeleadership.cfm)  
[Editorial Mission & Contributions \(/Leadership/About/About\\_Leadership/\)](/Leadership/About/About_Leadership/)

## **CONNECT**

+

[Email Us \(/contact\)](/contact)  
[LinkedIn \(https://www.linkedin.com/groups?gid=1878748&trk=vsrc\\_groups\\_res\\_name&trkInfo=VSRPsearchId%3A201478861429722574747%2CVSRPtargetId%3A1878748%2CVSRPcmpt%3Aprimary\)](https://www.linkedin.com/groups?gid=1878748&trk=vsrc_groups_res_name&trkInfo=VSRPsearchId%3A201478861429722574747%2CVSRPtargetId%3A1878748%2CVSRPcmpt%3Aprimary)  
[Twitter \(http://twitter.com/hfmaorg\)](http://twitter.com/hfmaorg)  
[Facebook \(http://www.facebook.com/hfmaorg\)](http://www.facebook.com/hfmaorg)  
[You Tube \(http://www.youtube.com/user/hfmaweb \)](http://www.youtube.com/user/hfmaweb)

## **HFMA SITES**

+

[HFMA.org \(http://www.hfma.org/\)](http://www.hfma.org/)  
[ANI \(/ani\)](/ani)  
[Leadership \(/Leadership/\)](/Leadership/)